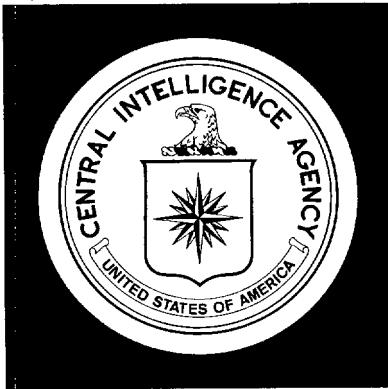


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DIRECTORATE OF  
INTELLIGENCE

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CHILE: President Allende's cabinet reorganization and offer to reopen negotiations with strike leaders may provide ways out of the current impasse.

The cabinet resigned on 31 October to prepare the way for reorganization, following opposition moves toward impeaching four ministers. Allende has accepted the resignations of two of these ministers who had been slated to quit this week to run for congress. He may be less willing to lose the technical competence of the other two presently under fire, Economy Minister Matus and Agriculture Minister Chonchol. Allende has long wanted to reconstitute his cabinet to consist essentially of technicians and military officers. Nevertheless, the economic policies of both are unpalatable to many voters and to some officers, and they may be shifted to other jobs.

On the question of military participation in the cabinet, the service chiefs apparently differ over the political advantages that Allende would gain, compared to the increased influence they could wield. The Communists reportedly support the idea. The Socialists have been unenthusiastic but might find certain officers politically acceptable.

On the strike front, the government announced on 30 October that there is room for compromise over the prolonged shutdowns. Its spokesman told striking truckers--whose organization the government is trying to outlaw along with those of other protesters--that their industry would not be nationalized. He reiterated, however, that a settlement could not infringe on the president's powers.

Protest leaders are hopeful of holding out, and airline pilots and other groups plan further shutdowns. Leaders of the shop and bus owners' groups appear to be weakening in their resolve, however, and the failure of the stevedores to join the strike is a setback to their cause.

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The effects of the shutdowns continue to be widespread but uneven. Essential services and supplies are being maintained with the aid of the armed services and volunteers. The long-range effects, both political and economic, will be considerable.

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URUGUAY: Continued pressure from military elements has forced President Bordaberry to rebuild his cabinet and may have cost him a working majority in the legislature.

The entire cabinet resigned this week in order to give Bordaberry a free hand in replacing three ministers who quit recently in protest against the army's arrest of political leader Jorge Batlle. Batlle, who heads the powerful List 15 faction of the Colorado Party, has been one of the targets of an ongoing military investigation into economic profiteering, but the push for his arrest came only after a recent speech in which he criticized the armed forces in strong terms. The military claim that such criticism violates the National Security Law, which they enforce.

Batlle's supporters in the Congress have not yet indicated how far they will go in opposing Bordaberry for his failure to face down army demands. At present, their energies seem to be directed toward having their leader's case transferred from a military tribunal to the Supreme Court.

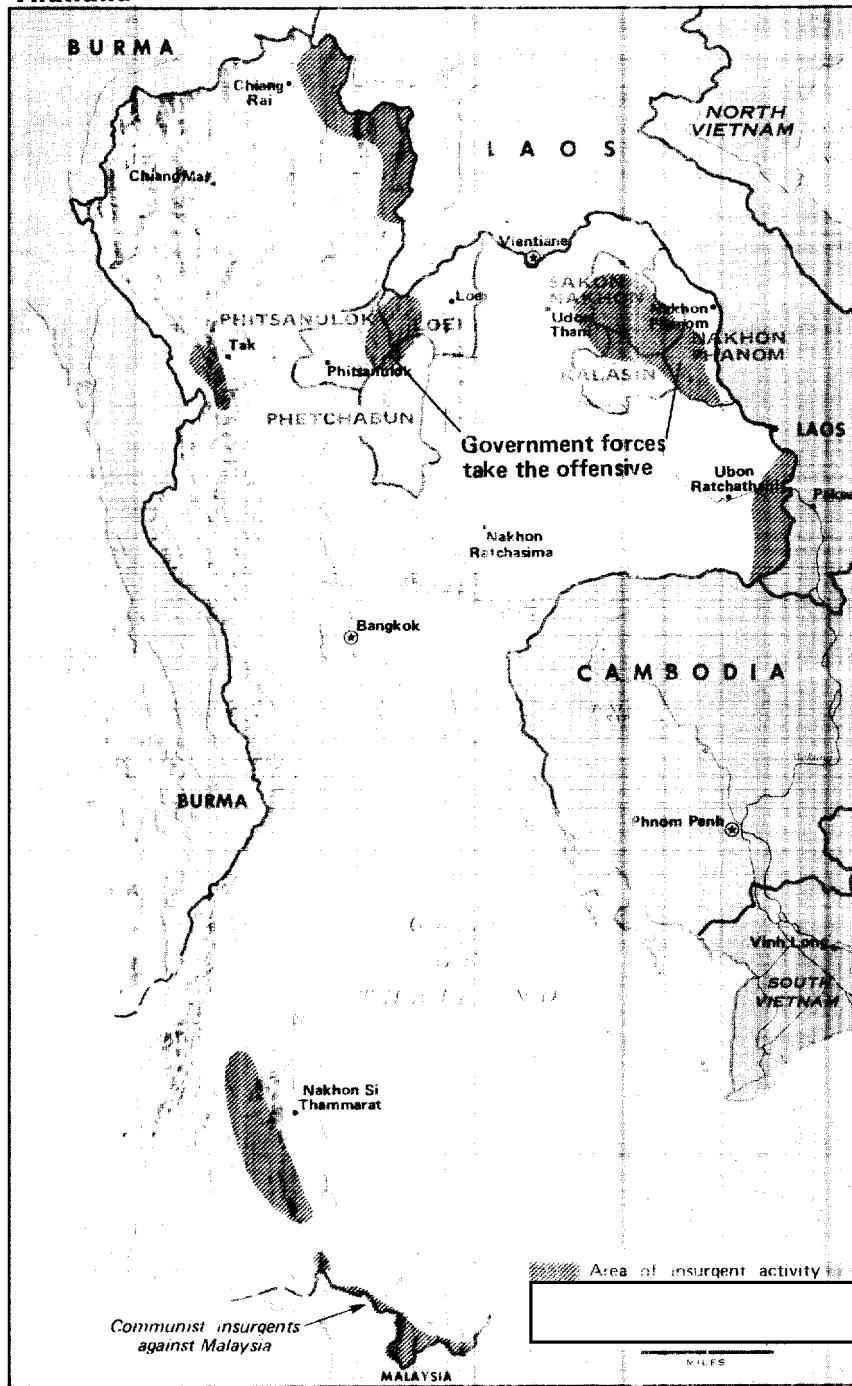
Although Batlle's arrest confronts President Bordaberry with the most serious political problem of his administration, it has also created divisions within the military high command. The navy and air force commanders have already questioned the wisdom of prosecuting Batlle. Within the army itself, the high command reportedly is under relentless pressure from the middle levels of the officer corps to maintain an aggressive stance. [redacted]

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Thailand



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THAILAND: The government is planning new moves against Communist insurgents in two areas.

In the north the government will concentrate on Communist insurgent redoubts in the tri-province area. In the northeast, the government has moved troops into position to push into Nakhon Phanom Province, where ethnic Thai insurgents are making headway in building a village-level political apparatus.

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In the northeast the government appears to have lost the element of surprise by making lengthy preparations near the edge of the operational area. The insurgents in this area will probably not contest the government move but will fall back to nearby base camps to wait out the campaign. Unless the army stays in the remote areas of Nakhon Phanom Province--and there is as yet no indication that it will--the government's chances of seriously disrupting the Communist political apparatus in the northeast are slim.

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EC: Further reflection in Brussels and Paris apparently has stopped any early move to establish a community policy on soybeans, which could have interfered with trade in the major US agricultural export to the Common Market. An EC Commission official responsible for foreign trade has suggested that his intervention stopped whatever studies were under way. A French official has said that, under pressure from the Ministry of Agriculture and farm interests, measures to increase domestic soybean production have indeed been discussed within the government. Other ministries, however, aware that there would be a strong US reaction and also doubting the economic feasibility of a French production effort, opposed the proposals, which have now been shelved for the time being.

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CIVIL AVIATION: The council of the International Civil Aviation Organization (ICAO) in a special session today will consider a US request to schedule an international conference to complete an air-security enforcement treaty. The US seeks a treaty that would provide international sanctions against countries that harbor hijackers, thus adding teeth to the anti-hijacking principles already embodied in international agreements. The council probably will schedule a conference, but formidable obstacles to the emergence of a treaty remain. A number of countries fear that a new sanctions procedure would represent an erosion of national sovereignty and could force them to boycott states with which they have important economic and political ties. The Soviet Union and France, for example, argue that joint sanctions should be imposed only by the UN Security Council, and Paris said recently that it has problems of a "general political nature" with the draft the US has suggested.

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**BOLIVIA:** Troops overcame pockets of worker resistance in La Paz yesterday and the city began to function normally. Efforts to defuse the crisis over devaluation and keep disturbances from spreading continue. The government has hinted at wage-price compromises, and it claims that negotiations to end strikes have been successful. The army is investigating unconfirmed reports of violence in the tin mines near Oruro and Potosi. The military-civilian coalition is holding together, and the immediate threat to the government appears to have passed.

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